

The Treasury Note



A monthly newsletter
of municipal finance

July 1, 1996

California's Thriving Economy

"California is now reasserting its economic power in a manner not seen since the late 1980s, and with an industry structure that has changed significantly since that time," said Tom K. Lieser, economist from the UCLA Business Forecasting Project, in the June business forecasting conference.

"The California economy continues to improve. With tourism, international trade, entertainment, and high-tech services and manufacturing leading the way, percentage job growth from a year earlier was about twice the national rate in California in April. And California's unemployment rate is the lowest it has been in over five years. The improvement in the state's labor markets has resulted in a stronger growth in personal income and taxable sales. The continued creation of new jobs likely has played a role in this year's pickup in home sales as well," wrote Howard L. Roth, Vice President and Director of Regional Economics, in the May/June edition of Bank of America Economic & Business Outlook report.

This bright outlook for the California economy is shared by many leading economists.

California has fully recovered from its protracted recession in the early 1990s. It has regained the jobs lost during that recession. The number of new jobs to be created is predicted to be about one million through 1998, and to grow at a rate double that of the nation's.

California's economic base has been restructured. The leading industries are business services (particularly those high-wage jobs involved in high technology, entertainment, and tourism) and exports. They have replaced California's reliance on defense and aerospace-related industries.

California is ideally located on the Pacific Rim where the fastest economic growths are taking place in South-East Asia. Their expanding economies have a need for high technology products that Cali-

fornia is noted for. Total exports for the first quarter of 1996 were \$25.6 billion. At this pace, California is on course to surpass the \$100 billion for 1996.

California is outperforming the nation in employment growth and personal income growth, and is predicted to continue doing so into 1998.

The State's General Fund (GF) budget was revised in May to reflect this strong economic performance. The GF revenue was revised upward by \$2.7 billion for the two fiscal years ending June 30, 1997.

Revenue Anticipation Notes Update

On June 28, the State of California paid the note-holders \$2,014,904,109.59 to retire the 1995-96 Revenue Anticipation Notes (RANS). Of that amount, \$2 billion was principal and the balance was interest due on the principal. Please contact your bank or your broker regarding the payment due to you.

The State is preparing for the issuance of the 1996-97 RANS shortly after the new budget is adopted. The size of the RANS will be \$3 billion. We anticipate bringing these RANS to the markets in July. The Treasurer has selected a strong financing team (see below) to market the 1996-97 RANS. If you are interested in these RANS, please call your broker.

Senior manager: Lehman Brothers.

Co-senior managers: BA Securities, Inc.; Grigsby Brandford & Co., Inc.; J.P. Morgan.

Co-managers: Bear Stearns & Co. Inc.; BT Securities Corp.; Citicorp Securities, Inc.; Dean Witter Reynolds Inc.; Dillion, Read & Co., Inc.; E.J. De La Rosa & Co., Inc.; Goldman, Sachs & Co.; J.C. Bradford & Co.; Merrill Lynch & Co.; Morgan Stanley & Co. Inc.; Muriel Siebert & Co., Inc.; Oppenheimer & Co., Inc.; Prudential Securities Inc.; Redwood Securities Group, Inc.; Stephens Inc.

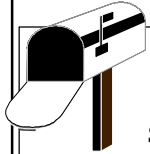
State Treasurer Matt Fong
Investor Relations Program
P.O. Box 942809, Sacramento, CA 94209-0001

Phone (916) 653-3243
Fax (916) 657-4827
<http://www.treasurer.ca.gov>

Ask the State Treasurer

Q : I have a State of California bond and I want to know who the Paying Agent is, how can I find out?

A : The State Treasurer's Office is the *Paying Agent* for most of the State of California bonds. Please call my staff in the *Bond Services Section* at (916) 653-2884. They will be able to quickly determine who the *Paying Agent* is for a specific bond. If we are the *Paying Agent*, we will be glad to answer any questions you may have regarding payment of the bond.



The Treasury Note Mailing List

Since interest checks are mailed every six months, you may be receiving The Treasury Note twice a year. If you would like to be on the mailing list to receive The Treasury Note regularly, please send your name and address to the Investor Relations Program at the address on the previous page.

STO on the Internet

Locate the State Treasurer's office on the California Home Page or at our own web site: (<http://www.treasurer.ca.gov>)

Listing of Redemptions

The listing reflects redemptions officially announced as of July 1, 1996. These bonds will be redeemed on August 1, 1996.

California Housing Finance Agency Home Ownership Mortgage Bonds, 1985 Series A (Partial Redemption)
\$1,100,926.44, due August 1, 2017 will be redeemed.

California Housing Finance Agency Multifamily Rehabilitation Revenue Bonds, 1983 Issue A (Partial Redemption)
\$125,000, due August 1, 2004 & 2010 will be redeemed.

California Housing Finance Agency Multi-Unit Rental Housing Revenue Bonds, 1980 Series A (Full Redemption)
\$9,100,000, due February 1, 1997-2000 and February 1, 2010 will be redeemed.

California Housing Finance Agency Home Ownership and Home Improvement Revenue Bonds, 1991 Series A (Full Redemption)
\$4,709,237.40 due February 1, 2002-2007 will be redeemed.

Department of Veterans Affairs of the State of California Home Purchase Revenue Bonds, 1991 Series A Refunding Bonds (Partial Redemption)
\$1,900,000, due August 1, 2003 will be redeemed.

State of California Veterans Bonds, Series BA (Partial Redemption)
\$5,900,000, due February 1, 2010 & 2019 will be redeemed.

If there are any questions regarding the purpose or timing of these calls, please call (916) 653-3451. For redemption payment or registration information, please call (916) 653-2884.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker about two weeks before the sale date. For updated information regarding sales dates, please contact the State Treasurer's Office at (916) 653-3243.

BOND SALES	AMOUNT in millions	SALE DATE
UC Regents, UC Davis Medical Center	\$355	July 1996
1996-97 Revenue Anticipation Notes (RANs)	\$3 billion	July 1996
General Obligation Bonds	\$300-500	August 1996
State Public Works Board, California Museum of Science and Industry, Lease Purchase Revenue Bonds	\$32	September 1996
State Public Works Board, Energy Efficiency, Lease Purchase Revenue Bonds	\$40	September 1996
San Francisco State Office Building, JPA Lease Purchase Revenue Bonds	\$321	October 1996
Oakland State Office Building, JPA Lease Purchase Revenue Bonds	\$175	November 1996
General Obligation Bonds	\$300-500	December 1996

*Subject to change